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Office of the Legislative Auditor

State of Montana

Report to the Legislature

September 1993

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1993

Montana Council on Vocational Education

This report contains one recommendation which addresses complying with operating budget requirements.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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Room 135 State Capitol
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STATE OF MONTANA

Office of the Legislative Auditor

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SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

September 1993

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Council on Vocational Education for the two fiscal years ended June 30, 1993. We make one recommendation to the council.

We thank the Executive Director and Administrative Assistant for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1993

Montana Council on Vocational Education

Members of the audit staff involved in this audit were Kris Wilkinson and John Fine.

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Appointed and Administrative Officials

Montana Council on Vocational Education

Dr. Jon Jourdonnais, Chairperson
Col. Gordon H. Simmons, Vice Chairperson
Fred Clark
Jeff Dietz
Ann Haagenstad
Dr. Gus Korb
Dr. Dennis Lerum
Jesse O'Hara
Dr. Robert Schaal
James Schultz
Senator Chuck Swysgood
Avis Ann Tobin
Howard Williams

All members were appointed for two-year terms commencing March 1, 1991 and reappointed May 1, 1993.

Administrative Officials

James W. Fitzpatrick	Executive Director
Lucie Willson	Program Specialist

Summary of Recommendations

This listing below serves as a means of summarizing the recommendations contained in the report, the council's response thereto, and a reference to the supporting comments.

Recommendation #1 — We recommend MCVE record its operating budget on the state's accounting records as required by state law. 3

Council Response: Concur. See page B-3.

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Council on Vocational Education for the two fiscal years ended June 30, 1993. The objectives of the audit were to:

1. Determine council compliance with applicable laws and regulations.
2. Identify areas needing improvement in the management and internal controls of the council.
3. Determine if the council's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1993, in accordance with state accounting policy.

Concerns deemed not to have a significant effect on the successful operations of the council program are not specifically included in the report, but have been discussed with management.

Background

The Montana Advisory Council for Vocational Education was created in 1969 by executive order to comply with the federal Vocational Education Act of 1963. The Carl Perkins Vocational Education Act of 1984 (Public Law 98-524) changed the name of the council to the Montana Council on Vocational Education and permitted the council to take a more active role in the planning and evaluation of vocational education in the state. Effective July 1, 1991, the council is subject to the Carl D. Perkins Vocational and Applied Technology Amendments of 1990 (Public Law 101-392).

The council is funded from federal vocational education funds and must exist in order for Montana to receive federal vocational education funds. Expenditures of the council were $149,376 in fiscal year 1991-92, and $152,094 in fiscal year 1992-93.

The council's purpose is to ensure vocational programs, services, and activities in Montana function efficiently and are available to all persons who need and can benefit from them. The council has 13 members representing various occupations, backgrounds, and geographic locations in the state. Federal regulations require

the diversity of membership to facilitate input from Montana's citizens. Under federal guidelines, the council assists the "sole state agency" responsible for vocational education, which is the Board of Regents of Higher Education. The major responsibilities of the council are:

1. To work with the Board of Regents: (a) in the development of the State Plan for Vocational Education and the annual program, and (b) on policy matters arising out of the administration of these plans.

2. To evaluate the effectiveness of the vocational education program and advise the Governor, the Board of Regents, State Job Training Coordinating Council, the U.S. Secretary of Education, and the U.S. Secretary of Labor in writing of any findings.

3. To assist the Board of Regents in developing evaluations of vocational education and monitoring these evaluations.

4. To evaluate the vocational education and the job training delivery systems in terms of adequacy and effectiveness in meeting the purposes of the Perkins Act.

5. To comment and recommend improvements on the adequacy and effectiveness of the coordination between vocational education and the Job Training Partnership Act.

6. To comment on the adequacy or inadequacy of state action in implementing the state plan.

   In addition, the council has other mandated responsibilities as outlined in Public Law 101-392.

The council employs an executive director, a program specialist, and a .5 full-time equivalent position for clerical support to assist in carrying out the council's responsibilities.

Findings and Recommendations

Operating Budget

State law requires each agency to record its operating budget and any approved changes on the state's accounting records. The Montana Council on Vocational Education (MCVE) did not record its operating budget on the state's accounting records in fiscal years 1991-92 and 1992-93. Agency personnel said they were not aware of this requirement. MCVE personnel said they use the agency's federal grant budget in planning and controlling its operations. Recording the operating budget on the state's accounting records would facilitate legislative and budget office oversight of the council's expenditures throughout the fiscal year.

Recommendation #1

We recommend MCVE record its operating budget on the state's accounting records as required by state law.

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented. The schedules were prepared from the Statewide Budgeting and Accounting System and the reader may rely on the information presented.

STATE OF MONTANA

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STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

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LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana Council on Vocational Education for each of the two fiscal years ended June 30, 1992 and 1993, as shown on pages A-4 through A-8. The information contained in these schedules is the responsibility of the council's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the council's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Council on Vocational Education for the two fiscal years ended June 30, 1992 and 1993, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

July 30, 1993

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

	Special Revenue Funds
FUND BALANCE: July 1, 1991	$ 0
ADDITIONS	
Fiscal Year 1991-92	
Budgeted Revenue	149,171
Prior Year Expenditure Adjustments	206
Fiscal Year 1992-93	
Budgeted Revenue	151,613
Prior Year Expenditure Adjustments	480
Total Additions	301,470
REDUCTIONS	
Fiscal Year 1991-92	
Budgeted Expenditures	149,376
Fiscal Year 1992-93	
Budgeted Expenditures	152,094
Total Reductions	301,470
FUND BALANCE: June 30, 1993	$ 0

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	Federal
Fiscal Year 1991-92	
SPECIAL REVENUE FUND	
Estimated Revenue	$203,157
Actual Revenue	149,171
Collection Over (Under) Estimate	$(53,986)
Fiscal Year 1992-93	
SPECIAL REVENUE FUND	
Estimated Revenue	$203,986
Actual Revenue	151,613
Collections Over (Under) Estimate	$(52,373)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES
BY OBJECT AND FUND - BUDGET AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

	Administration Fiscal Year 1991-92	Program Fiscal Year 1992-93
PERSONAL SERVICES		
Salaries	$ 64,748	$ 69,015
Other Compensation	2,350	2,312
Employee Benefits	13,608	14,852
Total	80,706	86,179
OPERATING EXPENSES		
Other Services	20,596	20,455
Supplies & Materials	1,214	1,628
Communications	3,938	3,820
Travel	24,126	17,983
Rent	6,811	6,850
Repair & Maintenance	2,592	1,108
Other Expenses	4,608	3,939
Total	63,885	55,783
EQUIPMENT		
Equipment	4,664	10,132
Intangible Assets	121	
Total	4,785	10,132
TOTAL PROGRAM EXPENDITURES	$149,376	$152,094
SPECIAL REVENUE FUND		
Budgeted	$174,617	$173,544
Actual	149,376	152,094
Unspent Budget Authority	$ 25,241	$ 21,450

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1993

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana Council on Vocational Education uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the council records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the council incurs the related liability and it is measurable.

State accounting policy also requires the council to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the council received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The council uses the following fund:

Governmental Funds

Special Revenue Fund - to account for proceeds of federal Carl Perkins Vocational Education funds.

2. Annual and Sick Leave

Employees at the council accumulate both annual and sick leave. The council pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. At June 30, 1992 and at June 30, 1993, the council had a liability of $10,647 and $11,300, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System. The council's contribution to the retirement system was $3,867 in fiscal year 1991-92 and $4,199 in fiscal year 1992-93.

Council Response

MONTANA COUNCIL ON VOCATIONAL EDUCATION

EXECUTIVE MANAGEMENT BUILDING
1228 11TH AVENUE
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(406) 444-2964
HELENA, MONTANA 59620

JAMES W. FITZPATRICK
EXECUTIVE DIRECTOR

MEMBERS
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Chairman
Col. Gordon H. Simmons
Vice Chairman
Fred "Rocky" Clark
Jeff Dietz
Ann Haagenstad
Dr. Gus Korb
Dr. Dennis Lerum
Jesse O'Hara
Dr. Robert Schaal
James Schultz
Rep. Chuck Swysgood
Avis Ann "Sanny" Tobin
Howard Williams

August 31, 1993

Mr. Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We appreciate the opportunity to review and comment on the Financial-Compliance Audit Report for the Montana Council on Vocational Education for the two fiscal years ended June 30, 1993.

The recommendation contained in the report has been reviewed and the agency has taken action to record the operating budget for fiscal year 1993-94 on the state's accounting records as required by State Law. The Council's budget is based on the appropriation approved by the Legislature and any operational plan adjustments are requested through the Governor's Office of Budget and Program Planning following Council approval. Each fiscal year the budget is presented to and adopted by the Council at its first regularly scheduled business meeting. Financial statements reflecting the council's budget, expenditures and the percent of expenditures as well as the warrants are presented and approved by the Council each month. Based on this financial reporting procedure used by the Council during fiscal years 1991-92 and 1992-93, we strongly feel the Council's management oversight was most responsible and followed Council policy.

We want to thank the members of your staff for conducting the audit in a timely manner and appreciate the opportunity to formally respond to this audit report.

Sincerely,

Jon Jourdonnais
Chairman

Jim Fitzpatrick
Executive Director

Lucie Willson
Program Specialist

AN EQUAL OPPORTUNITY EMPLOYER